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ABSTRACT

In Fall 1992, 400 telephone interviews established levels of basic skills difficulties among the work force as encountered or perceived by employers in the United Kingdom. Costs to employers of poor basic skills and the effect of these on their operation were quantified and described. Respondents were mainly personnel/training managers or officers. Findings indicated respondents believed poor basic skills affected how well all levels of staff undertook their duties. Only a minority had a formal policy that addressed the issue of basic skills among employees; 39 percent offered basic skills training. Reasons for not offering training focused on a belief that staff had adequate basic skills for their jobs and further training was unnecessary. Little assessment was made at time of recruitment or interview. Although most respondents did not perceive that basic skills problems among staff had an effect on their own organizations, they agreed that poor basic skills contributed to reduced efficiency, poor image among customers, inability of the work force to adapt quickly to changes in technological processes, and higher costs. Many had difficulty giving specific figures relating to the actual costs of basic skills problems among staff. Industry cost estimates were calculated at 4.8 billion pounds. Despite survey findings that demonstrated basic skills difficulties at all staff levels resulting in additional costs for companies, companies were unlikely to view poor basic skills as contributing to financial losses. (YLB)

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The Cost to Industry

Basic Skills and the UK Workforce

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ALBSU
the Basic Skills Unit

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THE COST TO INDUSTRY

Basic Skills and the UK Workforce

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CONTENTS

PREFACE 5

INTRODUCTION 7

METHODOLOGY 8

SAMPLE DETAILS 9

TYPES OF COMPANIES SURVEYED 10

PROFILE OF STAFF EMPLOYED 12

MAIN FINDINGS 13

PERCEPTIONS OF BASIC SKILLS PROBLEMS 14

Rating of employees' basic skills 14

Effect of poor basic skills on how well employees undertake their duties 16

Importance attached to good basic skills 17

EFFECTS OF BASIC SKILLS DIFFICULTIES ON INDIVIDUALS 20

Main perceived effects 20

TRAINING IN BASIC SKILLS 22

Whether companies address the issue of basic skills in the workforce 22

Reasons for not offering basic skills training 22

ASSESSMENT OF BASIC SKILLS WHEN RECRUITING STAFF 25

Assessment at time of interview 25

EFFECTS OF BASIC SKILLS DIFFICULTIES ON COMPANIES 26

Main perceived effects 26

Other effects of poor basic skills on companies 29

THE COSTS OF POOR BASIC SKILLS 31
Effect of poor basic skills on staff dealing direct with customers/orders 31
Actual estimated costs per company in value terms 31
Total costs to industry in value terms 34
Perceptions of the costs of basic skills problems among companies themselves 35
Overall attitudes towards basic skills problems in the workplace 39

PREFACE

Although estimates of the cost of poor basic skills to industry have been produced in the United States and Canada, we do not have similar information for the UK. We felt at ALBSU that this was an important piece of information to have. Firstly, unless the size of the problem is understood it is difficult to persuade people to tackle the problem. Secondly, we believe that there is an enormous pay off for industry both to companies and to individual employees.

In 1990 ALBSU commissioned a survey to attempt to estimate the cost to industry of poor basic skills. It was not so much that we wanted to know the cost to industry of people who could not read or write at all. There are, in fact, very few people in this category. What we wanted to know was how much could be saved if employees had better basic skills and how much more productive industry would be if people at work could communicate, read, write and calculate better.

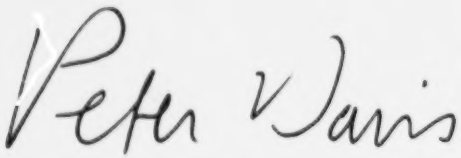
Recent major research on the basic skills needed for jobs indicate that very few jobs require no communication skills. Most jobs require basic mathematics and as industry changes and new technology becomes a much more significant factor then the demand for better and higher levels of basic skills will continue to grow. Industrial competitiveness will decline unless we can improve the basic skills of the UK workforce.

The results of the survey carried out for ALBSU by Gallup are outlined in *"The Cost to Industry: Basic Skills and the UK Workforce"*. We would not want to claim that it is definitive or that the overall costs are entirely accurate. It is extremely difficult to estimate costs accurately.

I believe, however, that our survey suggests that improving the basic skills of the current UK workforce needs to be a major priority . Whatever is done to improve education in schools and to reduce the number of young people who leave school with poor basic skills, 8 out of 10 of the UK workforce in the year 2000 is already at work.

However, you cannot look at this cost only in financial terms. Just as important as the cost to industry is the cost to the individual of having poor basic skills. Just think about the cost of missed promotion and the tremendous waste of not achieving their potential.

Industry can play a major part in ensuring that every employee has good basic skills and also that the employee can help themselves too. We need a well educated and well trained workforce; improving the basic skills of the workforce today is an essential investment for tomorrow's world.



Peter Davis,
Chairman, ALBSU

INTRODUCTION

Gallup was commissioned by ALBSU to conduct a survey of companies in the U.K.

The aims of the survey were as follows:

- To establish levels of basic skills difficulties among the workforce as encountered or perceived by employers
- To quantify and describe the costs to employers of poor basic skills and the effect of these on their operation.

An important element of the research was to project data on the costs of poor basic skills indicated across the sample to give total estimates for industry as a whole.

These costs would represent estimates for all companies employing 51 or more persons in the UK as the sample was confined to companies in this group.

METHODOLOGY

Gallup conducted a total of 400 interviews with companies, by telephone, between 23rd October and 11th November 1992. Respondents were mainly personnel/training managers or officers or those in equivalent positions.

The questionnaire took approximately 25 minutes to administer and was predominantly structured and pre-coded.

The questionnaire was designed by Gallup in conjunction with ALBSU and was developed using insights gained from four preliminary group discussions held with respondents drawn from the personnel function of companies.

Companies surveyed were those employing 51 or more employees drawn randomly from lists purchased from Duns Marketing, a company who specialise in the provision of company data. The Duns Marketing database includes all companies actively trading in the U.K.

In order to ensure an adequate spread of companies in terms of size, an approximately equal number of interviews was conducted in each of four company size groupings (in terms of employees).

Weighting was later applied to readjust the sample to correctly reflect the incidence of different-sized companies in the population.

The sample was also grossed-up to represent the total population of companies in the UK employing 51 or more persons.

Details are shown opposite.

SAMPLE DETAILS

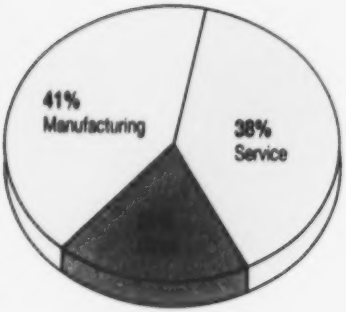
	Achieved		*Weighted*	
Size of company (employees)	*No. of interviews*	*%*	*Total companies on Duns Marketing Database (rounded up)*	*%*
51 – 100	96	24	18,000	45
101 – 250	101	25	12,000	30
251 – 1,000	104	26	7,000	18
1,000 plus	98	25	3,000	8
TOTAL	400	100	40,000	100

TYPES OF COMPANIES SURVEYED

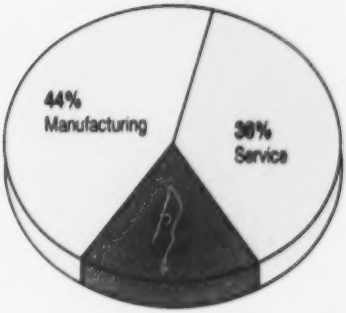
	Achieved		*After weighting and grossing up*	
	Absolutes	%	*Absolutes*	%
Industry				
Manufacturing	165	41	17,741	44
Service	153	38	14,514	36
Other	82	21	7,746	19
TOTAL	400	100	40,000	100
Type of Company				
State owned	13	3	878	2
Privatised state	10	3	644	2
Private	377	94	38,479	96
TOTAL	400	100	40,000	100

Types of Companies Surveyed

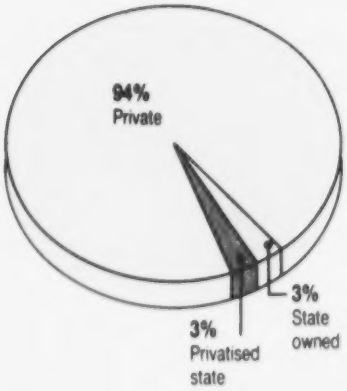
Industry: Achieved



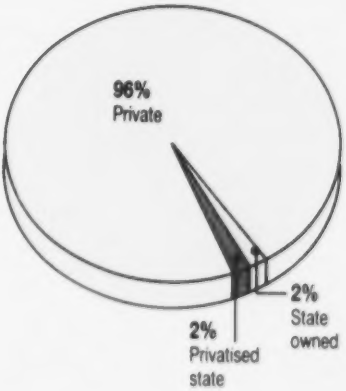
Industry: After weighting and grossing up



Type of company: Achieved



Type of company: After weighting and grossing up



PROFILE OF STAFF EMPLOYED

Companies surveyed employ an average of 627 persons.

85% employ one or more grades of blue collar worker with all employing persons in a managerial/professional capacity and most employing other grades of white collar worker.

76% employ operatives and 78% skilled technicians/craftsmen; 85% employ supervisory staff at blue collar level.

The higher figure for blue collar supervisory staff may be due to some companies employing persons who supervise the running of equipment or machinery rather than people, or the classification of blue collar staff not classified as operatives or technicians as supervisors.

Table 1:

Which of the following grades or categories of staff are employed in your company?

Base 400	*Total %*
Blue Collar	
Operatives	76
Skilled technicians	78
Supervisory staff	85
White Collar	
Clerical/secretarial staff	97
Sales staff	80
Managerial/professional staff	100

MAIN FINDINGS

PERCEPTIONS OF BASIC SKILLS PROBLEMS

Rating of employees' basic skills

Table 2 shows respondents' assessment of their staff for each of the four main basic skills – reading, writing, numeracy and oral communication. The table lists average scores on a five-point scale.

Table 2:

On a scale of 1 to 5 where 1 means very poor and 5 means very good, how would you rate employees for each of a range of basic skills?

	Average on five point scale				
	Base (all employing grade)	*Reading skills*	*Writing skills*	*Numeracy skills*	*Oral Comm. skills*
Blue Collar					
Operatives	(301)	3.37	3.04	3.16	3.23
Skilled technicians/ craftsmen	(321)	4.08	3.76	3.93	3.66
Supervisory staff	(342)	4.21	3.90	4.04	4.00
White Collar					
Clerical/secretarial staff	(392)	4.37	4.19	4.05	4.07
Sales staff	(316)	4.37	4.18	4.19	4.45
Managerial/professional staff	(399)	4.58	4.40	4.48	4.46

As would be expected, the adequacy of basic skills increases in line with the employee grade; managerial and professional staff are rated most competent with operatives rated least competent (only marginally better than average overall).

Table 3 presents the results of ratings given in terms of the percentage of each trade of staff as poor or very poor for each of the basic skills areas.

While white collar workers are unlikely to be rated as poor/very poor where basic skills are concerned, and only minorities of blue collar supervisory staff and skilled technicians have problems (mainly with written and oral communication), the proportions rise to 1 in 7 operatives having problems with reading and 1 in 6 having difficulties communicating verbally. Even larger proportions have problems with numeracy (1 in 5) and over 1 in 4 exhibit poor writing skills.

Table 3:

On a scale of 1 to 5 where 1 means very poor and 5 means very good, how would you rate employees for each of a range of basic skills?

	% rates poor/very poor				
	Base (all employing grade)	*Reading skills*	*Writing skills*	*Numeracy skills*	*Oral Comm. skills*
Blue Collar					
Operatives	(301)	14	28	21	16
Skilled technicians/ craftsmen	(321)	2	7	2	8
Supervisory staff	(342)	1	5	1	5
White Collar					
Clerical/secretarial staff	(392)	–	1	3	3
Sales staff	(316)	1	3	2	1
Managerial/professional staff	(399)	–	1	–	1

While for higher blue collar grades it might be expected that using basic skills forms part of the job (our research shows that almost all are expected to use the basic communication skills to some extent) majorities of those working at operative level are also expected to do so. When companies were asked specifically about this, 88% of those employing operatives said that reading written instructions is expected of them to some degree, as is producing written work (69%), making numerical calculations (73%) and communicating effectively by verbal means (92%).

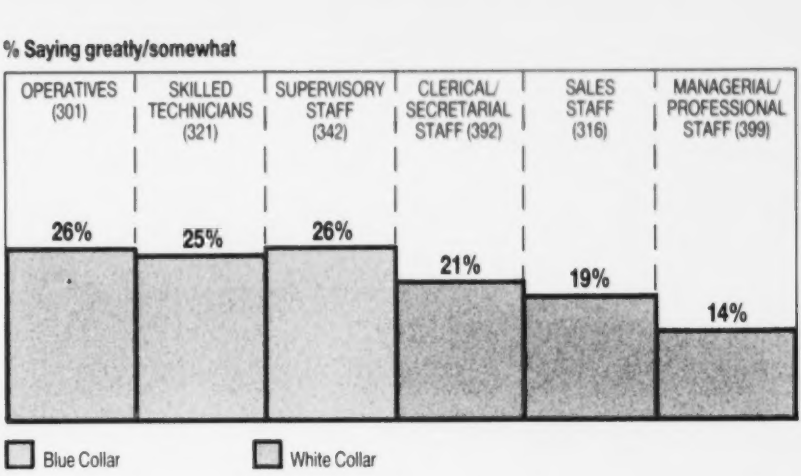
Effect of poor basic skills on how well employees undertake their duties

Irrespective of the basic skills assessments of staff given by companies surveyed, when asked specifically to indicate the extent to which poor basic skills affect how well staff undertake the duties expected of them, substantial minorities registered some effect at **all** levels *(Table 4)*.

Table 4:

For each of these same grades/categories of staff, to what extent, if at all, do you find that problems with basic skills affect how well they undertake the duties expected of them in your company?

	% saying greatly/somewhat	
	Base (all employing grade)	*Total*
Blue Collar		
Operatives	(301)	26
Skilled technicians/craftsmen	(321)	25
Supervisory staff	(342)	26
White Collar		
Clerical/secretarial staff	(392)	21
Sales staff	(316)	19
Managerial/professional staff	(399)	14



Around a quarter said poor basic skills affect the work of those operating at blue collar level and even for managerial/professional staff, the figure was a not insignificant 1 in 7 (14%).

Importance attached to good basic skills

Given recognition of the fact that poor basic skills affects how well employees undertake their duties, it is not surprising that employers place importance on competency in basic skills.

Table 5 shows the extent to which companies surveyed place importance on the competence of staff in each of the four main basic skills areas.

Approximately half or more of those surveyed say they place a great deal of importance on all four, with 9% or fewer rating each as of little importance.

Good oral communication skills are the most important (65% of companies said they place a great deal of importance on this) followed by numeracy and reading skills (53%) and writing skills (47%) (*Table 5*).

Companies also recognise that they would benefit from improving the basic skills of the workforce. In addition to enhancing communication skills generally, improved basic skills would improve efficiency, mean fewer mistakes and reduce the incidence

of the misinterpretation of instructions (at blue collar level). Only around 1 in 5 companies felt that improving the basic skills of workers would confer no benefits.

The full results for this question are shown in *Table 6*. Although the percentage of companies giving each response appears small, this would be expected for an unprompted, open-ended question.

Table 5:

Overall, how much importance does your company place on adequate competence in each of the main basic skills areas?

Base: 400	*A great deal*	*A little*	*Not very much*	*None at all*	*Don't know*	*Depends on grade*
	Percentages across					
Reading skills	53	18	6	2	1	20
Writing skills	47	23	8	1	–	21
Numeracy skills	53	18	4	2	–	22
Oral communication skills	65	13	6	1	–	15

Companies placing a great deal of importance on basic skills

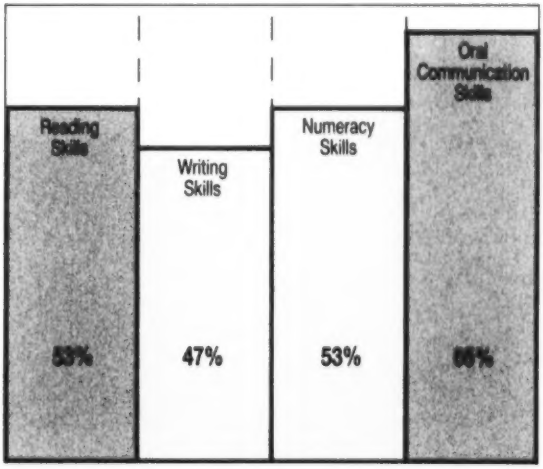


Table 6:

Could you describe the benefits, if any, that you would expect to get from improving the basic skills of the workforce? (unprompted)

Base (all employing each)	*At blue collar level 351 %*	*At white collar level 390 %*
General/better communication skills	19	19
More/improved efficiency	9	10
Fewer mistakes/errors	8	6
Better understanding/less misinterpretation of instructions	8	–
Better skills in writing or reading or numeracy	7	7
Able to increase amount of responsibility/less supervision	6	–
Will enhance their performance/work/greater competence/ better quality work	6	7
Improved customer service/relations/better presentation to customers/better client satisfaction	5	7
Product quality would be better	5	–
More/better understanding of the job/specific aspect of the job	5	–
Whole operation would be more productive/run more smoothly	–	5
Improved productivity	4	–
More profit/reduced costs	4	4
Would improve written work/paperwork/reports, etc	–	4
Do not perceive problems/well trained (already)	10	15
Other	18	13
None	17	21
Don't know	3	3

Mentions of less than 4% are excluded.

EFFECTS OF BASIC SKILLS DIFFICULTIES ON INDIVIDUALS

Main perceived effects

Table 7 shows the perceived effects of poor basic skills on those who exhibit problems. Responses for both an open-ended question and prompted question are shown.

The results indicate that quite significant personal embarrassment is evident among those with skills problems leading to lack of confidence (given by 21% for the open-ended question and a further 53% when prompted) and introversion (given by 5% and 35% respectively).

Of significance for companies is that 70% (6% spontaneously and 64% on prompting) say that those with basic skills problems are "afraid to take on new work procedures/ they lack flexibility" and 52% (1% spontaneously and 51% on prompting) say they are "afraid to take up training".

A significant proportion (29% – 2% spontaneously and 27% on prompting) also admit that staff with basic skills difficulties leave because they cannot cope, leading to extra recruitment costs for companies.

Table 7:

(a) What would you say, in your own experience, are the effects of basic skills difficulties on the individuals who demonstrate a problem in this area? (open-ended).

(b) And which of the following effects, if any, would you say are demonstrated by those with poor basic skills? (prompted).

Base	*(a) Open-ended* 400 %	*(b) Prompted* 400 %
Lack of confidence	21	53
Become introverted	5	35
Afraid to take on new work procedures/lack of flexibility	6	64
Afraid to take up training	1	51
They leave because they can't cope	2	27
Try to hide it/disguise it/reluctant to admit they don't understand	3	–
Feel inferior/degraded/low self-esteem	3	–
Lack of ability/work not done properly/mistakes made	4	–
Restricts progress in company/delays in career development	6	–
Failure to understand/read instructions/slows them down	8	–
(Affects) all communication/not just written	4	–
Frustration of trying to cope	3	–
None	19	12
Other	17	–
Don't know	14	2

Whether companies address the issue of basic skills in the workforce

Despite indicating earlier that their organisations would benefit if the basic skills of staff were improved, only a minority of companies (27%) have a formal policy which addresses the issue of basic skills among employees.

1% are in the process of developing a policy but 71% have no specific policy at all.

Although a higher proportion of companies say they do offer training in basic skills, irrespective of whether a formal company policy exists on the issue or not, these are still a minority of all companies surveyed (39%) and the training is more likely to cover "oral communication skills" (71%) than "numeracy" (61%), "writing skills" (56%) or "reading skills" (41%) *(Table 8)*.

59% of companies offer no basic skills training at all; 2% intend to do so in the near future.

In spite of companies' limited commitment to basic skills training, half of those surveyed (50%) rated their own boards of directors as "very committed" to staff training generally, with a further 40% rating their directors as "partly committed". Only 10% of companies rated their directors as not committed where staff training is concerned.

Those companies offering training in basic skills mainly offer this for all grades of staff (68%), with 32% offering basic skills training for selected grades of staff only. Both in-house training programmes (86%) and external training, such as day-release at college (70%), are used. 8% offer basic skills training via other methods, such as correspondence courses.

Reasons for not offering basic skills training

Reasons given for not offering basic skills training to employees focus on a belief that staff have adequate basic skills for the jobs that they do and that further training is unnecessary.

Table 8:

Does this (basic skills) training cover . . .?

Base (all providing/intending to provide basic skills training)	*Total 170 %*
Reading skills	41
Writing skills	56
Numeracy skills	61
Oral communication skills	71
Other mentions:	
All basic skills required for the job	15
Management/supervisory skills	4
Technical/engineering machine skills	7
Other specific practical skills/knowledge/training	12
Personal/individual development	2
Other skills	20
Don't know	1

49% of companies not offering basic skills training gave this as the reason when asked an open-ended question. A further 33% agreed that this was a prime reason when asked directly (making a combined total of 82%) *(Table 9)*.

However, 63% (10% spontaneously and 53% on prompting) also admit that they have just not considered (or needed to consider) the issue of basic skills training at all and, therefore, may be unaware of problems that exist in their own workforces.

53% consider that other forms of training take priority over basic skills training and gave this as the reason why their companies do not offer it.

However, only a minority of companies (30% overall) say they do not have the budget to provide training which would improve the basic skills of their employees. Clearly, many companies would be able to invest in basic skills training if they were convinced that there was a need for this in their own organisations.

Table 9:

(a) Can you say why your company does not offer basic skills training to workers? (open-ended).

(b) Which, if any, of the following reasons would you say apply? (prompted).

Base (all not providing basic skills training)	*(a) Open-ended* 230 %	*(b) Prompted* 230 %
Staff have adequate basic skills for their jobs, therefore training is unnecessary	49	33
Have never considered the issue/needed to consider the issue	10	53
Do not have the budget	5	25
Other forms of training take priority	5	48
Not required – recruit/select people with the skills needed	13	–
None/not a problem	7	12
Other	15	–
Don't know	6	2

ASSESSMENT OF BASIC SKILLS WHEN RECRUITING STAFF

Assessment at time of interview

Although many companies express confidence that their staff have the necessary basic skills for the jobs they are expected to do, surprisingly little assessment is made at the time of recruitment or interview.

Only 43% of those employing blue collar workers assess or test their reading skills, 63% test writing skills and 37% numeracy skills. 79% test the oral communication skills of blue collar workers.

Of those employing white collar workers, 50% assess their reading skills, 75% test writing skills, 51% test numeracy skills and 85% test oral communication skills.

Although it may not be necessary to test the basic skills of all potential employees (for example, academic qualifications may imply that an acceptable standard has been reached) the relatively large proportions of companies not testing specific skills, especially at blue collar level, could lead to the recruitment of staff inadequately skilled in reading, writing, numeracy and verbal communication.

As noted earlier, many of those employed even at the operative level are expected to read written instructions as part of their job (88%), produce written work (69%) and make numerical calculations (73%) as well as communicate verbally (92%).

It is, therefore, entirely feasible that a gap exists between expectations and competence for some employees, leading to poor work performance and problems and costs for companies associated with this.

Where testing for other attributes are concerned, 12% of companies say they use psychometric tests or other psychological/personality tests when recruiting blue collar employees; 20% do so when recruiting white collar employees.

EFFECTS OF BASIC SKILLS DIFFICULTIES ON COMPANIES

Main perceived effects

Overall, most companies do not perceive that basic skills problems among staff have an effect on their own organisations.

When asked an unprompted question about this, 51% said there were no effects, probably because they believe their own staff are sufficiently skilled for the jobs they are expected to do.

17%, however, admitted to not knowing what the effects of basic skills difficulties are on their companies, indicating little assessment of the problem or its impact (confirming earlier findings).

Of the few companies who could spontaneously describe specific effects for them of basic skills difficulties, 4% cited "errors/mistakes/competence in job restricted", 3% mentioned "lack of efficiency/professionalism" and 3% mentioned "time-wasting/not able to get on with the job" and/or "affects communication".

On prompting, however, a quarter of companies agreed that basic skills difficulties among staff mean they have to recruit staff externally rather than promote internally (which incurs recruitment costs) and 23% in total (2% spontaneous and 21% on prompting) agreed that poor basic skills causes a lack of flexibility among workers *(Table 10)*.

When asked specifically how severe an impact basic skills difficulties have on the **efficiency** of their organisation, a small but significant minority of companies (1 in 7) stated that the impact was "severe" or "very severe" which are strong statements.

However, 20% of employers with white collar staff and 13% with blue collar staff are adamant that basic skills problems do not exist in their companies and around 4 in 10 say that even if staff have problems, the impact on the efficiency of their organisations is minimal ("Not severe at all").

Both white collar and blue collar workers are equally likely to possess skills problems which have a severe impact on the efficiency of companies employing them *(Table 11)*.

Table 10:

(a) Overall, what would you say are the effects, if any, of basic skills difficulties on your company? (open-ended).

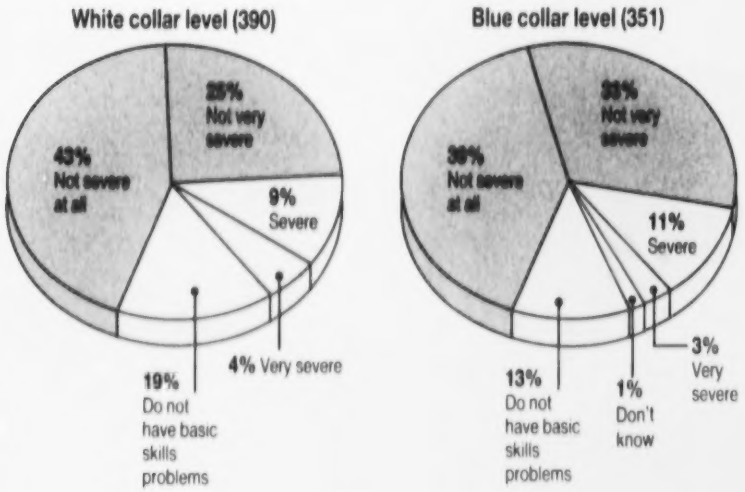
(b) And which of the following effects, if any, would you say are experienced by your company? (prompted).

Base	*(a) Open-ended* 400 %	*(b) Prompted* 400 %
Have to recruit from outside rather than promote internally	–	25
Lack of flexibility among workers	2	21
High staff turnover because staff cannot cope	–	5
Lack of efficiency/professionalism	3	–
Errors/mistakes/competence in job restricted	4	–
Loss of customers/business/lower quality of customer service	2	–
Loss of profits/financial loss	2	–
Time wasting/not able to get on with job	3	–
Affects communication	3	–
None	51	57
Other	16	1
Don't know	17	3

Table 11:

Taking all things into account, how severe an impact, if any, do basic skills difficulties have on the efficiency of your company?

Base (all employing)	*White collar level* 390 %	*Blue collar level* 351 %
Very severe	4	3
Severe	9	11
Not very severe	25	33
Not severe at all	43	39
Do not have basic skills problems	19	13
Don't know	–	1


White collar level (390)
25% Not very severe
43% Not severe at all
9% Severe
4% Very severe
19% Do not have basic skills problems
Blue collar level (351)
33% Not very severe
39% Not severe at all
11% Severe
3% Very severe
13% Do not have basic skills problems
1% Don't know

Other effects of poor basic skills on companies

Despite an apparent reluctance by many companies to consider the possibility of basic skills problems in their own organisations and/or to envisage a negative impact of poor basic skills on the efficient running of their own organisations, most respondents surveyed accept that poor basic skills among workers do cause problems for businesses.

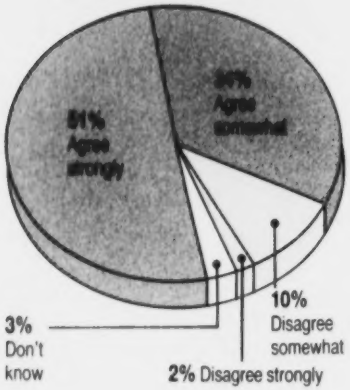
When read a series of statements and asked the extent to which they agreed with each, the majority (85% or more) agreed that poor basic skills contribute to reduced efficiency in companies, a poor image among customers, inability of the workforce to adapt quickly to changes in technological processes and to higher costs. The full results are shown in *Table 12*.

Table 12:

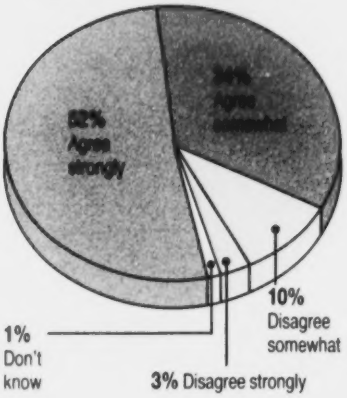
To what extent do you agree with each of the following statements?

Base: 400	*Agree*		*Disagree*		*Don't know*
	strongly	*somewhat*	*somewhat*	*strongly*	
	Percentages across				
Poor basic skills contribute to reduced efficiency in companies	55	38	5	1	1
Poor basic skills contribute to a poor image among customers	52	34	10	3	1
Poor basic skills means the workforce is unable to adapt quickly to changes in technological processes	51	34	10	2	3
Poor basic skills contribute to higher costs	48	41	8	1	3

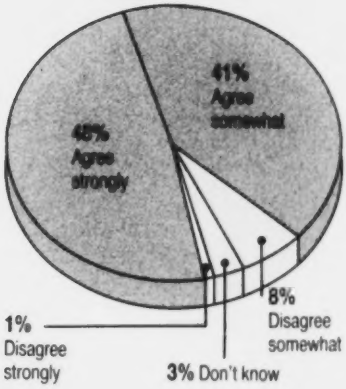
Poor basic skills mean the workforce is unable to adapt quickly to changes in technological processes



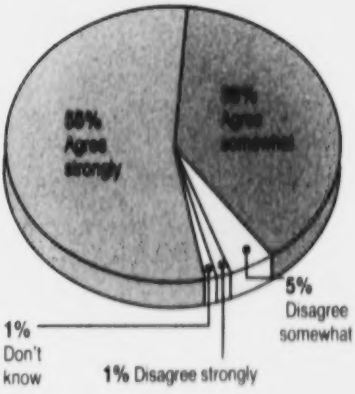
Poor basic skills contribute to a poor image among customers



Poor basic skills contribute to higher costs



Poor basic skills contribute to reduced efficiency in companies



Effect of poor basic skills on staff dealing direct with customers/orders

Given that one important area where basic skills problems could have a detrimental effect on a company's effective operation is customer liaison, a specific series of questions was asked to establish the extent to which basic skills difficulties cause problems for staff dealing direct with customers/customer orders.

Of the companies surveyed, 90% have staff dealing with customers through written communication and 97% deal with customers direct through personal verbal contact/ telephone. In addition, 86% have staff required to make mathematical calculations directly related to customer orders and 89% have staff acting on instructions to produce goods or services for customers.

The results *(shown in Table 13)* reveal that for staff working in each of these areas, 15% or more of companies say their own staff have problems with the basic skills they need to effectively undertake the tasks required.

These problems can result in a poor company image, cancelled orders, incorrectly despatched orders and incorrectly specified goods and services. In addition to the costs of rectifying problems and mistakes, the potential future business that may be lost from disappointed or disillusioned clients is an additional cost for companies.

Actual estimated costs per company in value terms

In order to estimate a total cost to industry of poor basic skills among employees, a series of questions was asked relating to specific aspects of a company's business.

Companies were asked to indicate how many customer orders are cancelled per year because of errors/problems, how many orders are despatched/produced incorrectly and the number of customers lost per year through problems or misunderstandings.

They were then asked to estimate what percentage of these order problems/lost customers could have been avoided by better basic skills among staff. Additional

Table 13:

To what extent do staff dealing in each of these areas have problems with the basic skills they need to effectively undertake the tasks required?

	Base (all employing)	*Greatly*	*Somewhat*	*Not very much*	*Not at all*	*Don't know*
	Percentages across					
Staff dealing with customers through written communication	(361)	3	12	26	57	1
Staff dealing with customers direct through personal verbal contact/ by telephone	(391)	5	13	25	56	1
Staff required to make mathematical calculations directly related to customer orders	(346)	4	11	27	57	1
Staff acting on instructions to produce goods or services for customers	(356)	5	13	27	53	2

questions requested the average cost to the company of rectifying a typical problem order/lost customer, etc.

Further questions covered the cost of supervisory staff and the number who could be dispensed with if basic skills were better, together with the number/cost of recruiting staff externally per year because basic skills problems limit the potential for internal promotion.

Not surprisingly, many companies had difficulty giving specific figures relating to the actual costs of basic skills problems among staff and it is clearly an issue which has not been subject to assessment internally. On average only 15% of companies were able to answer each series of questions from which the costs of basic skills problems could be calculated.

Table 14: **Costs of poor basic skills.**

Approximate number of:	*(a) Number*	*Average per company*		
		(b) % which could have been avoided if basic skills were better	*(c) Typical cost of one cancelled order/lost customer/ rectifying a problem order*	*(d) *Total cost due to basic skills difficulties among staff*
Customers orders cancelled per year because of errors, problems or misunder-standings	30	38.7%	£ 2,397	£27,600
Customer orders despatched or produced incorrectly each year	161	41.4%	£ 1,123	£74,600
Customers lost per year because of errors, problems or misunder-standings	12.5	35.3%	£ 5,957	£26,200
Members of staff employed whose main task is to check and approve the work of others	30.1	2.3%	£12,473	£28,330
Employees needing to be recruited externally each year for posts which could be filled internally if basic skills were better	35.9	11.2%	£ 2,183	£ 8,800
				Average Total £165,530

*Overall costs are calculated by taking the percentage of (a) indicated at (b) and multiplying this by (c). Figures at (d) were calculated by computer using the raw data.

The full results are shown in *Table 14*. Fuller details of the results are available separately in the form of computer tabulations.

Table 14 shows that, on average, the overall cost of poor basic skills for a company employing 51 or more employees is £166,000 per year. The cost for smaller companies (51 to 100 employees) is around £86,000 per company rising to £500,000 per company for those employing 1,000 or more.

These costs include only those accounted for in the survey, however, and do not include costs associated with lost future business, for example, or the need for additional training because staff may be unable to cope with written material.

Total costs to industry in value terms

In order to project figures from the sample to give an indication of the **total** costs of basic skills difficulties to industry as a whole, the sample data was grossed-up to represent all 40,000 companies estimated as employing 51 or more persons in the U.K.

For questions asking about the number of cancelled orders/customers lost per year etc., the grossing-up enabled industry totals to be calculated, after factoring-up the numbers to also account for companies not giving an answer (excluding those for which questions were not applicable, for example, because they do not provide goods or services).

The average percentage of cancelled orders/lost customers etc. which could have been avoided if staff had better basic skills (indicated across the sample) was then used to estimate the average total number of cancelled orders/lost customers etc. due to poor basic skills for industry overall; these figures were then multiplied by the average cost of a typical cancelled order/lost customer, as determined from the sample of companies surveyed.

The industry cost estimates calculated are shown in *Table 15* and reveal a total estimated cost of 4.8 billion pounds overall. More specifically, 2.5 billion pounds is spent by U.K. industries rectifying customer orders despatched incorrectly because of poor basic skills, another 911 million pounds is lost through cancelled customer orders, and 886 million pounds represents the cost of lost customers.

A further 197 million pounds is spent by U.K. companies employing supervisory staff who could be dispensed with if those they supervise were more proficient in basic skills

Table 15:

Summary of total costs to industry of poor basic skills for companies employing 51 or more persons.

	Grossed-up estimates
Cost of customer orders cancelled through poor basic skills	£911 million
Cost of rectifying customer orders despatched incorrectly through poor basic skills	£2,500 million
Cost of customers lost through errors etc., due to poor basic skills	£886 million
Cost of staff who could be dispensed with if basic skills were better	£197 million
Cost of recruiting employees externally because poor basic skills limits internal promotion	£334 million
N.B. Figures are rounded-up.	**Total £4,828 million**

and companies spend 334 million pounds recruiting staff purely because lack of competence in basic skills prevents companies from promoting staff internally.

These calculations are grossed-up estimates based on figures given by companies themselves.

However, these total estimated costs are likely to be underestimated – again, they do not account for costs associated with lost future business, the need for additional training because staff may be unable to cope with written material, or the cost of work which needs to be re-done.

The costs of basic skills problems for companies employing fewer than 51 employees are also excluded from the calculations.

Perceptions of the costs of basic skills problems among companies themselves

Despite the fact that the survey findings demonstrate basic skills difficulties at all staff levels which result in additional costs for companies as problems and mistakes are rectified, customers are lost and extra supervisory staff employed etc. companies are unlikely to view poor basic skills as contributing to financial losses.

Table 16:

(a) To the best of your knowledge, has the company ever experienced a financial loss that might be largely attributed to poor basic skills?

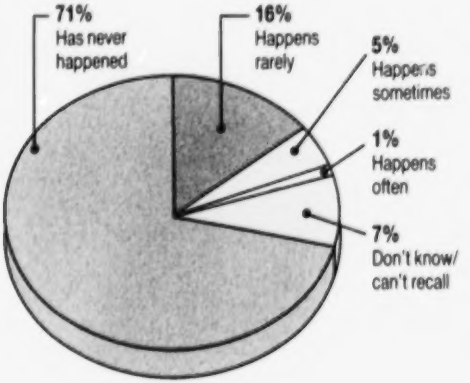
Base 400	*Total %*
Happens often	1
Happens sometimes	5
Happens rarely	16
Has never happened	71
Don't know/can't recall	7

Table 16:

(b) What is your company's attitude towards this? (open-ended).

Base (all who have experienced a financial loss) 82	*Total %*
More checking procedures/supervision	30
Increased training provision	24
Investigate situation/rectify/make sure does not happen again	18
Accept that mistakes will happen/are sometimes inevitable	15
Unhappy about it/annoyed/not accepted	12
Disciplinary action	11
Get sacked/would look to re-employ	4
Other	24
Don't know	1

When asked specifically whether their companies have ever experienced a loss that might be largely attributed to poor basic skills the vast majority (71%) said that this has never happened and a further 16% said it happens rarely. Only 6% stated that such losses have occurred, but mainly sometimes rather than often *(Table 16a)*.



The attitude/response of companies who **have** experienced a financial loss due to poor basic skills is to introduce more checking procedures (30%) or to increase training (24%) *(Table 16b)*.

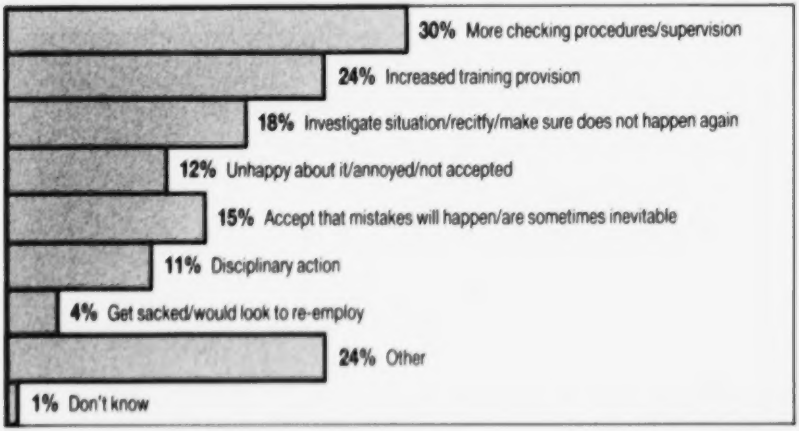

30% More checking procedures/supervision
24% Increased training provision
18% Investigate situation/rectify/make sure does not happen again
12% Unhappy about it/annoyed/not accepted
15% Accept that mistakes will happen/are sometimes inevitable
11% Disciplinary action
4% Get sacked/would look to re-employ
24% Other
1% Don't know

Table 17:

I am now going to read out a series of statements about basic skills in the workplace. Please indicate how much you agree or disagree with each?

	Agree		*Disagree*		*Don't know*
	strongly	*somewhat*	*somewhat*	*strongly*	
	Percentages across				
It is the responsibility of the State Education system to ensure workers have adequate basic skills	74	17	5	2	1
In a period of high unemployment companies are able to recruit staff easily and can exclude those with basic skills difficulties	48	35	9	8	1
Companies will only invest in basic skills training when they experience serious consequences for themselves	35	40	12	8	4
Improving basic skills in the workplace is a low training priority for companies	27	34	18	17	4
If workers can do their jobs satisfactorily it is of little importance whether or not they have good basic skills	11	24	31	32	2
Good basic skills are only important for some grades of jobs	10	24	27	38	1

Overall attitudes towards basic skills problems in the workplace

Table 17 shows the extent to which companies surveyed agree with a series of statements about basic skills. The results provide an overview of attitudes towards basic skills in the workplace.

Clearly, most companies view the State Education System as having the main responsibility for ensuring workers have adequate basic skills (91% agree with this, 74% agree strongly).

Companies also largely believe that, especially in periods of high unemployment, they can recruit staff easily and exclude those with basic skills difficulties (83% agree, 48% strongly).

75% of companies also agree that companies will only invest in basic skills training when they experience serious consequences for themselves.

These results show that companies, rightly or wrongly, do not consider the improvement of basic skills to be their responsibility and, furthermore, do not have an incentive to tackle problems which may be evident in their own organisations.

However, companies do largely agree that good basic skills **are** important for all grades of job, even if those lacking good basic skills can still do their jobs satisfactorily *(Table 17)*.

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42